A STUDY OF CHANNELS OF ALTERNATIVE BANKING AND ITS IMPACT ON CUSTOMERS' SATISFACTION"

(A STUDY OF SELECT PUBLICAND PRIVATE SECTOR BANKS IN NANDED DISTRICT)

A SYNOPSIS SUBMITTED

TO

SWAMI RAMANAND TEERTH MARATHWADA UNIVERSITY, NANDED

FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

IN

MANAGEMENT

UNDER THE FACULTY OF MANAGEMENT STUDIES

BY

Miss. Amarpreet Kour Randhawa

UNDER THE GUIDANCE OF

Prof. Dr. Vani Nikhil Laturkar

Dean, Faculty of Management Studies

Swami Ramanand Teerth Marathwada University Nanded – 431606.

June 2016

CONTENTS

Sr. no	Topic	Page no.	Remarks
1.	Introduction	1	
2.	Review of Literature	4	
3.	Statement of the Problem	7	
4.	Objectives of the Study	8	
5.	Hypothesis of the Study	8	
6.	Importance of the Study	8	
7.	Research Methodology	9	
8.	Limitations of the Study	12	
9.	Chapter Plan	12	
10.	Bibliography	13	

INTRODUCTION

Service has become integral part of every one's life. Services sector is becoming one of the important sectors in rising economies of the world. Since last ten years it is proved that, service sector is rising as a prime source of employment in India. It contributes a considerable share to the GDP as compared to other sectors in India. Banks are the most important service institutions in the economy of any country. Today all commercial, public, private, foreign banks are providing technology based self service banking services. These are absolutely essential for the development of quality servicing and to enhance the quality of human life.

After banks nationalization (1969 and 1980) banks have changed from class banking to mass banking. Before nationalization of commercial banking in India, all private sector banks were dealing with banking on business based and opened their most of branches in the urban areas. But now their approach has been changed and many banks are opening their branches in the rural areas. According to RBI report as on March 2013, there were 89schedule commercial banks, 26public sector banks, and 22 private banks providing banking services in India.

Technology has been one of the most important factors for the development of mankind. In the last few decades, information technologies have changed the banking industry and have provided a way for the banks to offer differentiated products and services to their customers.

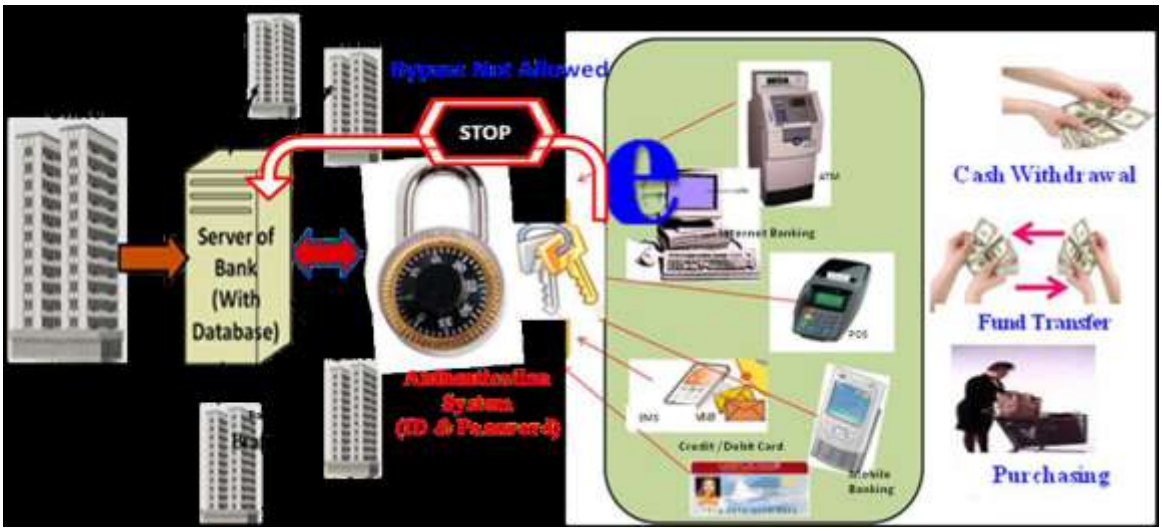
Banks today are increasingly providing customer service with the help of technology via e-service. With these developments, a new era of banking has emerged, which is known as "e-banking." E-banking services are new services for Indian customers.

As a result Indian banks are investing heavily in the technologies such as branch automation and computerization, core banking, tele-banking, mobile banking (M-banking), internet banking, automated teller machine (ATMs), data warehousing etc. ICT innovations in the previous few years have changed the landscape of banks in India. Providing efficient online banking services has become a common feature for all public and private sector banks in India. Various alternative channels of banking have been started to provide easy and any where banking.

Customers are now looking for multiple delivery channels and flexible as well as convenient working hours neither the clock nor the geographical locations are constraints. Therefore, almost all Indian commercial banks are providing services through the various alternative e-channels; it is called as ***'Alternative Banking'***. Alternative banking is defined as "the alternative delivery channels to provide existing traditional and new banking services to the customers through electronic, interactive communication channels. It includes the systems that enable banking

institution customers, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the internet". The customers can access banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or mobile phones, POS terminals including automated branches of the banks (See Figure 1.1)

Figure 1.1- Alternative Banking Channels



History of alternative banking in India

Information Technology (IT) has helped in increasing the speed and efficiency of banking operations by facilitating the emergence of innovative products and new delivery channels. The role of the Reserve Bank as the driver of technology initiatives in the banking sector assumes greater importance given the challenges posed by rapid advancements in technology. The Resave Bank of Indian has played important role in implementation of information. In order to this intension the RBI constituted several committees from time to time with different objectives, headed by experts in different fields or academicians, some of them during eighties and nineties.

The Reserve Bank of India has appointed various committees to implement ICT in Indian banking. History of the bank automation traced with use of computer technology in India. The government of India has established the Electronics Corporation of India Ltd. in 1967 with the objective of research & development in the fields of Electronic Communication, Control, instrumentation, automation and Information Technology. The Computer Maintenance Corporation of India Ltd. was established in 1976 to look after maintenance operations of Main

Frame Computers installed in several organizations in India. Entry of technology in the Indian banking industry can be traced back to the Raganarajan Committee report, way back in the second half of the 1970s. In 1979, the RBI has appointed the Talwar Committee on Consumer Services in Banks' and it recommended that, computerization of some functions is required to avoid delays in customer service in Indian banks. In the first phase the Indian banks started computerizing the front-end operations through Advanced Ledger Posting Machines (ALPMs).

Some banks concentrated on the back office automation and some are frontend operations. In the second phase banks started total branch automation with frontend and back-end operation within same branch. In the third phase, during the nineties the banking sector witnessed various foreign and new private sector banks are entre in the Indian banking industry with the latest technology.

Review of Literature

In the present scenario technology has changed the banking world. The gaps between the Indian banks and their counterparts in the technologically advanced countries are gradually narrowing down (Kalavathy, 2005). The world has witnessed an information and technological revolution of late. This revolution has touched every aspect of public life including banking (Siam, 2006). Since last two decades due to increased competition in business environment, retail banks have opted customer- centric approach to meet the changing requirements of the customers.

Over the past two decades in particular, the banking industry has invested large resources in bringing ICT to customers. The banking industry is witnessing through the significant technological changes; it has several impacts on customer satisfaction and loyalty. "It has revolutionized every industry including banking in the world by rendering faster and cost effective delivery of products and services to the customers. Core banking solution enables banks to extend the full benefits of ATM, tele-banking, mobile banking, internet banking, card banking and other multiple delivery channels to all customers allowing banks to offer a supporting retail as well as corporate banking activities Chakrabarty, (2010)

A customer satisfaction is an unclear and theoretical concept. Actual demonstration of the state of satisfaction will vary from person to person, product to product and service to service. The state of satisfaction depends on a number of factors which consolidate as psychological, economic and physical factors. The quality of service is one of the major determinants of the customer satisfaction, which can be enhanced by using ICT available to survive.

Bank computerization in India:

As per the recommendations of the various committees and working groups the RBI tied to enhance technology in Indian commercial banks. The first blue print for computerization of banks in India was drown in 1983-84 as phased plan for mechanization of banking industry (1985-89). Although, the Reserve Bank of India (RBI) installed its first computer in 1968, and a larger one in 1979. But the United Commercial (UCO) Bank, the Standard Chartered Bank, Lloyds' Bank, Grindlays, and others had installed accounting and other machines before 1966. But in large scale computerization of Indian public sector banks has been undertaken by the Phased plan of computerization in 1985 which was constituted by Dr. C. Rangrajan Committee. Now most public sector banks are computerized fully or partially. In the first phase of computerization spanning the five years ending 1989, banks in India had installed 4776 ALPMs at the branch level, 233 mini computers at the Regional/Controlling office levels and trained over 2000 programmers/systems personnel and over 12000 Data Entry Terminal Operators. According to the RBI Annual Report of 2008-09, there are 100 per cent computerization has been done in SBI group and 97.60 per cent in other Nationalized Banks.

a) Banking technology and customers' satisfaction

The banks in India are using Information Technology (IT) not only to improve their own internal processes but also to increase facilities and services to their customers. Particularly, in the banking sector ICT is one of the most important tools, because it provides many suitable alternative banking channels to the customers. It brings connivance, customer centricity, enhance service quality and cost effectiveness in the banking services. Even now, customers are evaluating their banks based on availability of high-tech services. Therefore, implementation of ICT in the banking business continues to improve the banking service. Many researchers from USA, UK, Finland, Malaysia, Taiwan, etc. have proved that the use of technology positively affects the customers‟ satisfaction in banking industry. But some researches evidenced that, technology based banking service can not satisfy the each and every need of the customers‟ and each type of customers‟. There are may be some possibilities of gaps between customers‟ expectations and actual service perception in ICT based banking service, which leads to customer dissatisfaction. Hence, there is a need to assess the impact of alternative banking services on customers‟

satisfaction in Indian context to study the level of satisfaction, problems and areas of further improvements.

b) Public and private sector banks and customer satisfaction

According to RBI report as on March 2013, there were 89schedule commercial banks, 26 public sector banks, and 22 private banks providing banking services in India. According to the various reports of the RBI and IDRBT (Institute for Development & Research in Banking Technology), Indian private sector banks are more advanced in the manner of utilization of technology. As on March 2009-10, almost all branches of private sector banks are fully computerized and are having more alternative banking services as compared to public sector banks in India. While, many rural branches of public sector banks are partially computerized in India. However, public sector banks are not only concentrated on providing technology based banking service to their customers", but also providing banking services to the types of the customers with consideration of socio-economic development aspect.

There is a clear difference in the policy of the private banks and public sector banks even these two banks are working in the different working conditions in the India. Private sector banks are enjoying more liberal environment than public sector banks. However public sector banks are working on the road mapped by RBI and the Government of India. But recent five years have evidenced that public sector banks have entered in the alternative banking service market to compete with private sector banks and provide various types of alternative banking service to their customers".

Therefore, there is a need to assess service quality of alternative banking services provided by public and private sector banks in India and their customers" satisfaction level to know which banks are providing satisfactory banking services through their alternative channels e.g. either the public or private sector banks.

Statement of the problem

With the advancement of science and technology, the modern market has gone a buyer's market; it also called as customer oriented market. There are several researches conducted in the field of business, marketing and management subjects. Several articles have investigated the components of quality service metrics, which includes customer satisfaction, customer loyalty, profits, and consumer behavior, attitudes across a variety of service providers. There are some researchers who have conducted researches to identify the customer satisfaction, job satisfaction, employees' satisfaction in the traditional banking services. Very few studies have so far been published on the diffusion of internet-based platforms for the banking. However, recent changes in the banking industry evidenced almost banks are changing themselves as e-bank and providing new and modern banking services through various e-channels, which are called as alternative banking channels.

The present market scenario of banking industry shows that, all public and private sector banks are updating themselves according to the technological changes and providing convenient banking to increase the customer base. Hence, there is a need to indentify the comparative customer satisfaction of public and private sector banks and problems faced by them while using the alternative banking channels.

Very few have conducted a field work which it examines the impact of the service quality of alternative banking on customer satisfaction. There is emerging need to study the comparative analysis of quality services of inter public sector and private sector banks as well as intra public sector and private sector banks.

Objectives of the study

1. To study the history of alternative banking services in India in general and in Nanded city in particular.
2. To present the current scenario of alternative banking service in Nanded district.
3. To identify the factors affecting alternative banking services on the customers' satisfaction.
4. To study customer satisfaction in select public sector banks in Nanded district about the use of alternative channels of banking.
5. To study customer satisfaction in select private sector banks in Nanded district about the use of alternative channels of banking.
6. To evaluate the service quality in select banks about the use of alternative channels of banking.
7. To recommend appropriate suggestions based on the findings of the study for improvement of customers' satisfaction in alternative banking services.

Hypothesis of the study

1) There is rapid growth and development in alternative banking services.
2) The Customers are satisfied with the services offered in select public sector banks related to alternative channels of banking.
3) The Customers are satisfied with the services offered in select private sector banks related to alternative channels of banking.
4) Public sector banks are providing better quality services to the customers than private sector banks.

Importance of the study

Customers are considered as the source of profit for any organization. Therefore it is very important to study customer satisfaction in both of public and private sector banks. Measuring customer satisfaction has a great potential to provide the managers of retail banks with information about their actual performance of the bank and the expectations of their customers (Al-Eisa and Alhemoud, 2009). For a service provider customer satisfaction is important issue. There may not be an ultimate goal in itself rather; it is a means for yielding greater profits; even satisfied customer is also as another type of profit. Therefore, assessment of customer satisfaction and factors influencing satisfaction should be examined in the banking sector. With this view the present research topic attempts to measure the overall customer satisfaction with alternative banking services in Nanded City.

The present study plans to offer meaningful insights for policy implications and for better customer's satisfaction through improved alternative banking facilities. The main concern of the study is to provide information that would help the management of the public and private sector banks to re-design their alternative banking services in order to retain its existing customers and to attract new ones in today's competitive environment.

It will help to adopt appropriate policy service designing and service improvements to increase customer satisfaction.

Research Methodology

The selection of an appropriate research methodology is crucial to the effectiveness of a research work. Methodology falls within the categories of positivist, interpretive and critical. Majority of business and marketing research encompasses with the positivist or quantitative and qualitative methods. A quantitative methodology was employed in order to obtain data so as to address the research questions. According to Yin (1994), qualitative method is suitable to empirical studies. Therefore, we will adopt qualitative research approach for this study.

Methods of Data Collection

Researcher has to collect primary and secondary data to prove hypothesis. Therefore researcher has decided to collect primary and secondary data from accurate sources.

- **Primary Data**

Primary data will be collected through survey and interviews of the customers, front and back offices at banks. Basically researcher will collect primary data through following methods: I) Questionnaire II) Open ended Interview III) Observation.

- **Secondary Data**

Secondary source of data consists of existing information; researcher will collect it from external sources such as RBI Reports, Annual Reports of the Banks, archival records, and magazines, research Journals, websites of the banks and other internet sources etc. Researcher will have to collect required secondary sources of data to understand the history of alternative banking, policy regarding alternative banking in Indian scenario.

Selection of the samples

Selection of the samples is an important part of the research work. The probability and non-probability sampling methods will be used for selection of samples. The probability sampling method dose not provides alternatives to researcher. But a non-probability sampling method especially Convenience quota sampling method provides a range of alternatives and options to researcher. Hence, researcher will use a convenience quota sampling method to select samples for the study. Researcher has proposed to select approximately 500 respondents to obtain required primary data.

a) Selection of the banks

It is necessary to select approximately 20% of commercial banks from public and private sector banks which have a maximum level of branch automation and providing most of the alternative banking services in the Nanded district. It was found that State Bank of India, IDBI Bank Ltd. And Corporation Banks from public sector and ICICI Bank Ltd. and Axis Bank Ltd. from private sector banks are providing almost of alternative banking services *i.e.* core banking, ATM, debit card, electronic fund transfer, credit cards, MICR cheque service, internet banking, and mobile banking to their customers (see table no. 1.2) as compared to other banks existing in the city.

(Table no.1.2)

Total Number of Public and Private Sector Banks in Nanded District (Population)	
Public Sector Banks	**Private Sector Banks**
State Bank of India	**ICICI Bank Ltd.**
IDBI Bank Ltd.	**Axis Bank Ltd.**
Corporation Bank	HDFC Bank Ltd.
Bank of Baroda	Kotak Mahindra Bank
Bank of India	Karur Vysya Bank Ltd.
Bank of Maharashtra	Development CR Bank Ltd.
Canara Bank	
Dena Bank	
Punjab National Bank	
Oriental Bank of Commerce	
Indian Overseas Bank	
Syndicate Bank	
UCO Bank	
Union Bank Of India	

(Table no. 1.3)

Selected Banks (Sample)	
Public Sector Banks	**Private Sector Banks**
• **State Bank of India** • **IDBI Bank Ltd.** • **Corporation Bank** **20% of total public sector banks**	• **ICICI Bank Ltd.** • **Axis Bank Ltd.** **20% of total private sector banks**

The above table selected public sector and private sector banks are awarded by Indian Banks' Association Technology and Innovation award for the year 2015.

b) Selection of the Respondents

In research selection of sample is important step. For a qualitative research sample size should be small. However we have decided to select approximate **250** respondents from selected public sector bank and **250** respondents from selected private sector banks. Total **500** respondents are predicated as sample for in detail investigation.

Data Analysis

Data analysis can be filled and analyzed using SPSS (Statistical Packages for Social Sciences), regression analysis, and chi - square test, SERVEQUAL.

Limitations of the study

The researcher will face certain limitations while conducting this study. Some of them are as follows:

- The study is limited to the alternative banking services in Nanded district in terms of customers' satisfaction and major problems faced by the customers.
- The time is limiting parameter to study the alternative banking services.
- The study carries the limitations of the respondents also.
- The study is limited to public and private sector banks in Nanded district specifically in public sector banks State Bank of India, IDBI Bank Ltd. & Corporation Bank are selected. And in private sector banks ICICI Bank Ltd and Axis Bank Ltd are selected.

Chapter Plan

This study will be presented in following six chapters:

1) Introduction
2) Review of Literature
3) Research Methodology
4) Profile of Respondents
5) Data Analysis and Interpretation
6) Findings and Recommendations

   Bibliography

Dr. (Mrs.) V. N. Laturkar

(Research Guide)

Date: / /2016

Miss Amarpreet Kour.T. Randhawa

(Research Student)

Bibliography

Books

- Kotler, P., 2003, marketing Management, Prentice Hall of India, New Delhi, PP 7-28
- Kumar L. N., 1999, Strategic Marketing of bank services, Suneja Publishers, New Delhi.

Research Journals

- Adrian Achyar, (2008), Likert Scale: Problems and Suggested Solutions, http://academicmarketingresearch.wordpress.com/2008/08/05/likert-scale-problems-and-suggested-solutions/ accessed in April, 2010.
- Ahmad Ashfaq, Kashif-ur-Rehman, Iqbal Saif and Safwan Nadeem (2010), An empirical investigation of Islamic banking in Pakistan based on perception of service quality, *African Journal of Business Management Vol. 4(6), pp. 1185-1193, June 2010* Available online at http://www.academicjournals.org/AJBM ISSN 1993-8233 ©2010 Academic Journals.

Reports and Documents

- A Profile of Banks: 2009-10, the Reserve Bank of India.
- IAMAI (2006), Report –Online Banking, page 18-20, Available at http://www.iamai.in
- Ministry of Finance , GOI, Banking Industry Vision 2010
- RBI, A Bank Profile, 2009-10
- RBIs, Statistical Tables Relating to Banks in India 2002 to 2009
- Reddy Y.V.,(2006) Governor, Reserve Bank of India, Use of technology in the financial sector: Significance of concerted efforts, 2006